United States
Department of Agriculture
Foreign Agricultural Service

Foreign Agriculture

November 1981

Mexico:
Market Opportunities

Commodity Update

Fats and Oils

The EC Commission apparently has dropped its proposal to recommend a tax on vegetable and marine fats and oils. The tax had been planned as a way to finance the Spanish olive oil sector when Spain joins the EC. Since it apparently would have applied to oil produced from U.S. soybeans, the U.S. feared it would adversely affect the $4 billion U.S.-EC soybean and product trade.

A U.S. government-industry soybean oil team recently returned from Nigeria, Egypt, and Turkey reported that long transit times and high shipping costs are restricting U.S. exports of soybean oil to these markets. If these problems could be solved, the U.S. could possibly export a total of 250,000 tons of soybean oil to the three countries. The team also identified infrastructural weaknesses in Nigeria and Egypt and the lack of credit in Turkey as important constraints to expansion of soybean oil sales to these countries.

In the past, Poland's state farms, have been forced by state directives to plant rape and have accounted for 76.5 percent of the total area in rape. However, due to their new independent status as of July 1, 1981, these farms have shown little interest in making contracts with the State for future plantings of rape. According to recent reports, the State was able to contract for no more than 40 percent of the 600,000 hectares it had planned to have in rape this fall.

Furthermore, Polish farmers have not planted rape in the fall of 1981 due to fertilizer shortages and relatively unfavorable prices vis-a-vis other crops. The sales value of sugar beets produced on 1 hectare is Zls 75,000 while that of rape is Zls 40,000. The logical conclusion seems to be—why plant rape?

The 1981 harvest produced 483,000 metric tons of rape—roughly 15 percent less than in 1980. With the low production, Poland's 1981/82 import requirements for oilseeds and products will be a record high of 1.59 million tons. The demand for U.S. oil and other oilseed products in 1981/82 is estimated at 600,000 metric tons of meal, 200,000 tons of soybeans, 40,000 tons of edible oil and 20,000 tons of technical oils.

Poultry

Eleven U.S. poultry trade associations called on the U.S. Trade Representative (USTR) in September to file a formal protest against EC export subsidies under Section 301 of the Trade Act of 1974 as amended. In October, another U.S. poultry trade association joined the industry coalition as a petitioner.

The trade group petition alleges that the export subsidies violate GATT's Subsidies Code and have prevented the United States from gaining an equitable share of the poultry meat export market. Prior to January 1980, EC subsidies were used primarily for exports of whole chickens to the Middle East. Now, the EC is subsidizing sales of whole chickens worldwide and has authorized subsidies on the sale of chicken parts, turkey parts, eggs, and egg products throughout the world.

Last year alone, the EC spent more than $100 million for direct poultry export subsidies. It is largely because of these subsidies that the EC has become one of the world's largest producers of poultry meat and the world's largest exporter of poultry meat.

The Trade Representative's office has 45 days which to accept or reject the poultry trade associations' petition. If the petition is accepted, USTR will file a protest with GATT and ask a special panel to rule. If the subsidies are found to be inconsistent with the GATT Subsidies Code, they must be modified or removed by the EC. If no action is taken, the president may retaliate, with the USTR having seven months in which to recommend action to the White House.

In the early 1960's a similar controversy raged over the EC's import charges on the United States poultry products. At that time the United States imposed tariffs on Cognoc trucks potato starches, and certain dextrines, when access conditions were not improved.

The Magazine for Business Firms Selling U.S. Farm Products Overseas

Published by
U.S. Department of Agriculture
Foreign Agricultural Service

Managing Editor
Aubrey C. Robinson

Writers
Mary Frances Chugg
Neil G. Gallagher
Lynn A. Krawczyk
Marcellus P. Murphy
Geraldine Schumacher

Design Director
Sara Tweedie

Text of this magazine may be reprinted freely. Photographs may not be reprinted without permission. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or the Foreign Agricultural Service. The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget, through June 30, 1984. Yearly subscription rate $21.00 domestic $26.25 foreign, single copies $2.50 domestic, $3.15 foreign. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

Features

Trade Boom With Mexico Creates Problems and Opportunities 5
U.S.-Mexican agricultural trade has undergone major changes in recent years, though not without some accompanying problems.

Selling in Mexico I: Guidelines for U.S. Exporters 8
Suggestions and background information useful for those interested in trading in the Mexican market.

U.S., Mexico To Meet on Trade Issues 11
New joint commission to tackle trade problems on a regular basis.

Selling in Mexico II: Grains, Oilseeds, Livestock 12
Trade techniques for exporters of grains, oilseeds, and livestock.

Canada's Livestock Industry Approaching 1982 With Caution 14
After a year of high input expenses and interest rates, Canadian livestock producers are less than excited about prospects during the coming year.

New Zealand Preference for Lamb Slows Growth in Wheat Output 17
New Zealand's farmers are turning to more profitable lamb production in lieu of increasing wheat area.

Decade of Change Lifts U.S. Mink Exports 20
Production and marketing of U.S. mink has undergone major changes in the past 10 years, much to the benefit of U.S. overseas sales.

Peru Turns to Palm Oil Production 22
In the wake of depleted supplies of fish oil, Peru is turning to palm oil production.

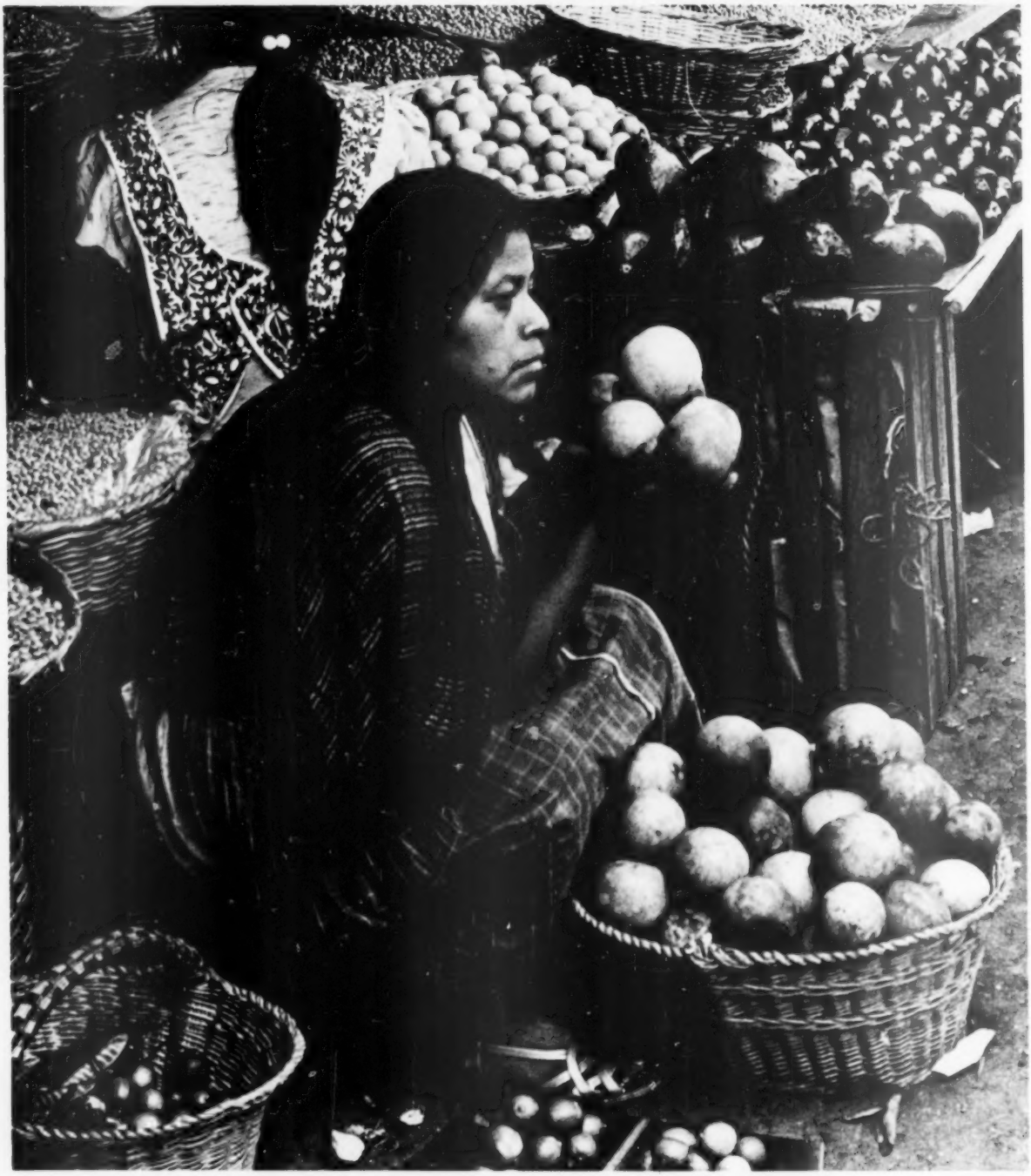
Departments

Commodity Update 2

Fact File—U.S.-Canadian Trade 15

Country Briefs 18

Trade Briefs 23



Trade Boom With Mexico Creates Problems And Opportunities

By Gretchen Heimpel

In its economic relationship with the United States, Mexico historically was a minor figure in U.S. trade statistics, but in 1980 it became the third largest U.S. trading partner behind Japan and the Netherlands. U.S.-Mexican trade has grown recently at an unprecedented level, and trade between the two countries totaled $21.6 billion last year.

About 4 percent of the overall U.S. imports come from Mexico, while about 5 percent of U.S. exports go to our southern neighbor. In sharp contrast, the United States is Mexico's largest market, taking 62 percent of its total exports and supplying 65 percent of all Mexican imports in 1980.

U.S.-Mexican agricultural trade also has undergone some major changes in recent years. Long a major supplier of agricultural products to the United States, Mexico usually ranked second behind Brazil. At the same time, Mexico has longed ranked among U.S. agriculture's top 10 foreign markets.

Until very recently, Mexico has usually had an agricultural trade surplus with the United States. This gap slowly closed until 1979 when trade flows were just about balanced at about $1 billion in each direction. In 1980, U.S. exports to Mexico reached a record $2.5 billion, while imports remained at about $1 billion.

The author is Assistant U.S. Agricultural Attache, Mexico City

U.S. Export Surge Led By Feed Grains

Much of the dramatic increase in U.S. exports across the border can be directly attributed to drought-reduced farm production in Mexico. But with the rapidly growing food and feed demands in Mexico—owing to its rising population, increased consumption, and a switch to more healthful diets—agricultural trade may well remain in the U.S. favor for some time. But it is likely that Mexico's imports of U.S. farm products will moderate when Mexico's programs to boost domestic food production begin to show results.

A major contributor to the rise in U.S. exports to Mexico in 1980 was a more than fourfold gain in corn exports to almost 4.9 million metric tons. Mexico also bought more than 2.4 million tons of sorghum, an increase of nearly 80 percent. U.S. soybean imports more than doubled to 931,000 tons.

U.S. shipments of pulses rose from 19,000 tons in 1979 to 307,000 tons last year, while sugar and tropical product exports expanded sharply to a record 212,000 tons. Only wheat exports registered a decline, falling more than 40 percent to 675,000 tons.

The growth of the Mexican market and its changing trade relationship with the United States are more evident in the grain and oilseed sectors.

At one time Mexico was a net grain exporter and essentially was self-sufficient in the major staple crops of corn and beans. But production increases have not kept pace with demand. After consecutive years of adverse weather and poor production had reduced Mexican stocks to critical levels, the Mexican government in January 1980 sought an agreement with the U.S. government that would assure adequate supplies of corn, wheat, beans, rice, soybeans, and other basic commodities.

The U.S.-Mexican Supply Agreement of 1980 resulted in a USDA commitment to help Mexico secure these commodities, primarily by establishing contacts between U.S. exporters and the Mexican government and working jointly to resolve problems arising in the shipment of goods.

The Mexican government arranged forward contracts directly with U.S. producer groups for specific amounts of the 1980 crop of dry beans to ensure adequate supplies to meet Mexican needs.

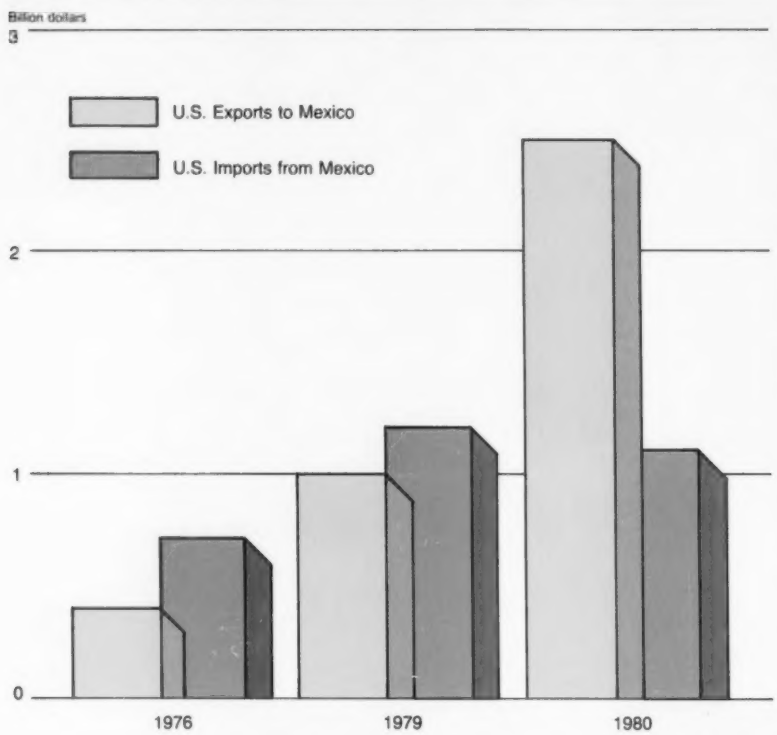
The Mexicans were particularly interested in government-to-govenment transactions under the 1980 agreement. But the record 10-million-ton purchases made by Mexico under the agreement were handled through normal commercial channels. These larger purchases dwarfed the 4 million tons purchased by Mexico in 1979.

Perhaps the most important outcome of the agreement was the unprecedented cooperation between the two governments, especially in coordinating the rail transportation for these record quantities.

At first it appeared that the Mexican railroad system and limited port facilities would not be able to handle the increased volume. Severe bottlenecks occurred at border crossing points, and the delays resulted in some spoilage and high demurrage costs.

However, through close cooperation—and the use of 100-car unit trains—by July 1980 almost 1 million tons of grains and oilseeds were crossing the U.S.-Mexican border monthly. Also,

Mexico Loses Edge in Agricultural Trade with United States



freight car movements in and out of Mexico were aided by more efficient customs and inspection procedures on both sides of the border.

A similar agreement is in effect this calendar year, providing for Mexican purchases of 6.5 million to 8.2 million tons of basic commodities. An agreement for 1982 has already been signed and calls for at least 4.57 million tons of U.S. farm commodities, but final quantities will not be determined until December when Mexican harvests are completed.

U.S. exports to Mexico during the first half of 1981 were at a pace which which would have set another export record, but Mexico's improved 1981 grain crop prospects are sharply reducing Mexico's last half import demand. In addition, Mexico has resumed imports of grains and oilseeds from Argentina and Brazil, our two most important competitors in the Mexican sorghum and soybean markets.

Coffee Still Leads Import List

The principal agricultural import from Mexico continues to be coffee, but despite its predominant role in U.S. Mexican trade, Mexican coffee comprises only about 10 percent of all U.S. coffee imports.

Coffee is not produced in the continental United States and enters duty free from Mexico. There are no notable trade problems concerning Mexican coffee, although Mexico has been an active member of various Latin America exporter groups that have attempted to control coffee marketing.

The second most valuable Mexican export crop—fresh tomatoes—competes directly with the U.S. product. During the winter, Mexico is essentially the sole foreign supplier of many fresh vegetables to the United States, and Mexican produce may account for about 50 percent of the available supply during those months.

This competition has caused concern among U.S. producers, particularly in Florida. Political pressures exist within the United States to increase protection for domestic producers to levels higher than the current tariff for fresh vegetables.

The most recent battle in the so-called "tomato war" between producers in Florida and Mexico was the Florida growers' legal challenge in September 1978 that Mexico was dumping tomatoes, cucumbers, eggplant, squash, and green peppers on the U.S. market.

The U.S. Department of Commerce, which had assumed jurisdiction in the case, ruled on March 24, 1980 that Mexican produce had not been sold at less than its fair value, and, therefore, no dumping had occurred. Florida growers disagreed with the finding which is currenty under judicial review by a U.S. Court of Appeals.

Other Mexican horticultural products, such as frozen strawberries and

melons, also are competitive with U.S. produce, but the conflict has not been so serious as with winter vegetables.

Trade Prospects and Problems

Mexico is rapidly assuming a more visible role in the world economy. Its population growth rate is still estimated at nearly 3 percent on a base population of almost 70 million. For a country with limited natural resources—but perhaps, the world's fifth largest proven oil reserves—this results not only in demands beyond the nation's productive capacity, but also in the means with which to address those needs.

While continued growth in U.S. agricultral exports to Mexico seems likely, so too are trading problems.

Mexico is not a member of the General Agreement on Tariffs and Trade (GATT).

Under U.S. law non-GATT members do not benefit from some of the more favorable provisions in subsidy and other trade investigations extended to GATT members. On the other hand, Mexico as a non-GATT member is not committed to notify or consult on measures that may hurt U.S. trade interests. This introduces instability into a rapidly growing and important market as the following examples illustrate.

Until 1979, Mexico supplied beef to the United States, and had a specific quota under the U.S. Meat Import Act of 1964, which had been superseded by the Meat Import Act of 1979. The growing Mexican demand for meat, however, has led to a domestic meat shortage and the virtual cessation of exports

The Mexican government attempted to embargo the export of live cattle in an effort to satisfy the demand for beef in Mexico City and other metropolitan areas.

This effort was largely unsuccessful in northern Mexico's grazing areas where transportation factors, price differentials, and established marketing procedures dictated a continuation of the northward flow of cattle.

Another problem occurred in the pork sector in 1980 when a shortage of feedstuffs in Mexico resulted in heavy slaughter and subsequent low meat prices.

Top U.S. Agricultural Exports to Mexico in 1980

Item	$Mil.	Percent change from 1979
Corn	678	495
Sorghum	319	107
Soybeans	259	119
Wheat & flour	123	-37
Dairy products	71	181
Hides & skins	70	-32
Tallow & greases	48	39
Variety meats	27	61
Live animals	18	-29
Lard	13	-23

Top U.S. Agricultural Imports from Mexico in 1980

Item	$Mil.	Percent change from 1979
Coffee	311	-26
Fresh tomatoes	131	-15
Live cattle	89	- 5
Frozen strawberries	25	-21
Cocoa beans &chocolate	22	-11
Fibers	18	-15
Molasses	17	-46
Beef & veal	0.6	-90

The Mexican government responded by halting imports of pork between April and September, and by refusing to issue to required import licenses. This action, detrimental to U.S. pork exporters, was particularly disturbing because of the lack of notification from the Mexican government that such a measure was contemplated, or even that it had been imposed.

Again without notice, the Mexican government in June 1980 temporarily refused to accept U.S. health and sanitary certification of exported U.S. hides and skins.

Products which already had import licenses under the Mexican quota program were refused entry. It is believed the measure was an attempt to maintain hide prices in Mexico, and the action on health and sanitary grounds permitted the immediate halting of lower priced imports.

Imports were resumed a few months later, but the Mexican government did not return to the usual procedures of issuing 6-month licenses for the annual quota of 2.5 million pieces. Instead, licenses for hide and skin imports were granted on a month-to-month basis. This is still being done.

Mexico's failure to give prior notification when imports are halted, and the difficulty encountered when consultations are sought, remain major concerns to the U.S. government.

In order to address such problems, the two countries recently established a joint trade commission. By consulting on measures that affect each other's trade, it is hoped that future problems will not mar the expansion of trade—a matter beneficial to both nations. ■

Selling in Mexico I: Guidelines for U.S. Agricultural Exporters

U.S. farm export business south of the border never has been better. In one of the most impressive growth spurts of recent years, U.S. agricultural exports to Mexico approached $1 billion for the first time in fiscal 1979, then quickly more than doubled the following year, making Mexico one of the largest markets for U.S. farm products. So far, exports have continued this rapid growth, with the fiscal 1981 total estimated at around $2.7 billion, a new record.

Opportunities obviously are there for U.S. exporters, provided they can adapt to a market that in many ways is radically different from the United States.

It should be kept in mind that Mexico's ultimate goal is agricultural self-sufficiency.

Consequently, Mexico's agricultural import policy indicates reluctance to issue import permits for products that in any way compete with domestic production, unless that production is deemed insufficient to meet demand.

Thus far, most of the increase in U.S. farm exports to Mexico has occurred for commodities where output has been adversely affected by poor weather or reduced cultivation in recent years.

To ensure adequate supplies of such products, the Mexican government has concluded three supply agreements with the United States. The latest of these—reached on June 9, 1981, covers U.S. commodity sales to Mexico during calendar 1982. Similar agreements were in effect for 1980 and 1981.

Tips for Exporters

The following suggestions and background may be helpful to those planning to contact Mexican buyers of agricultural products:

- Familiarize yourself with Mexican import policies and regulations.

- Contact the Office of the U.S. Agricultural Counselor[1] by letter or phone for comments on importability of the products of interest and the chances of making contact with Mexican importers. Remember that most basic commodities, such as grains, oilseeds, beans, and nonfat dry milk, are purchased on a tender basis by the government.

- Written or telephone communications in Spanish with new Mexican contacts will receive a much more favorable response than if done in English.

- Before approving a request for import permits, the Mexican government consults domestic producers of the same or similar products. Generally, the perception of what products compete with domestic production is quite liberal. A request for an import permit will often be rejected if the product in question is only remotely similar to a domestically produced item.

- Many canned and processed foods and meats that show up in U.S. trade statistics as exports to Mexico actually move into the so-called "free zones" along the U.S. border. They are not considered by the Mexican government as imports into the interior. The free zone market consists principally of the small Mexican border cities adjoining U.S. border towns,

[1] John E. Montel, American Embassy, Mexico City, D.F. Tel (905) 553-3333.

and U.S. exports mainly supply grocery outlets on the Mexican side.

This market as a whole is not large, but for food items such as poultry meats, citrus, plums, and grapes it represents the only possibility of sale to Mexico. Chambers of Commerce in the U.S. border cities may be able to provide lists of contacts on the Mexican side. Checkpoints ensure that these food items are not illegally transported outside the free zones.

- Generally speaking, the same import requirements apply to product samples as to commercial shipments. This means that an import license should be obtained and duties must be paid on samples. In some cases, health permits also are necessary.

The U.S. Embassy can assist official trade missions in introducing product samples for Embassy-sponsored functions. To do so, the Office of the Agricultural Counselor must receive information on the type and quantity of samples, so that it can request a "free entry" permit no later than 2 months prior to their arrival.

Participants in trade shows can only bring in product samples if the show organizers obtain import permits for them. Firm assurance should be obtained from the organizers that they will assist in the importation of samples before paying any exhibitor fees. Small quantities of samples carried in personal baggage may be allowed into Mexico at the discretion of the Mexican customs official on duty.

Import Requirements

Permits or licenses are required for virtually all food, agricultural, and livestock imports. All applications for import licenses must be filed by the Mexican importer with the Mexican Department of Commerce at:
Secretaria de Comercio
Direccion General de Controles al Comercio Exterior
Avenida Cuauhtemoc 80-Planta Baja
Mexico 7, D.F., Mexico

The Secretariat of Commerce (SECOM) bases its import decision on opinions requested from the Secretariat of Agriculture and various other agencies.

The most convenient and expeditious means for soliciting and obtaining an import license is to designate a local Mexican representative, who can act on behalf of the U.S. exporter. In fact, a formally designated agent or representative is required by Mexican law for label registration purposes.

Quality and packaging requirements in force for food and agricultural products generally are drawn from USDA requirements. But minor deviations for individual products should be specified by the Mexican importer.

Shipping documentation, in most cases will consist of a commercial invoice, a bill of lading, and a certificate of origin issued by USDA or other appropriate U.S. agencies. In some instances, the latter certificate must be visaed by a Mexican Consulate in the United States. This is the responsibility of the exporter.

Label requirements for canned foods and food additives are established by the Mexican Health Department. An authorized Mexican representative of the foreign shipper is required to register the commodity with the Mexican Health Department by submitting labels, pictures, brochures, and a general product description.

An original label in English with the avoirdupois weight is acceptable if it is accompanied by a translation in Spanish indicating metric weight and volume.

The label should also indicate the name and address of the U.S. exporter's local representative. The Health Department's address is as follows:
Secretaria de Salubridad y Assistencia
Direccion General de Control de Alimentos,
Bebidas y Medicamentos
Liverpool 80
Mexico 6, D.F., Mexico ■

U.S. Products With Market Development Potential In Mexico

The following products currently being imported into Mexico from the United States are judged by the U.S. Agricultural Counselor's Office to have market development potential, subject to Mexican import policy restrictions.

Livestock and Livestock Products:
Beef breeding cattle
Swine, purebred
Tallows
Lard
Semen
Hides and skins (raw)
Nonfat dry milk
Whey
Lactose

Crops and Crop Products

Corn
Wheat
Sorghum
Barley
Rice
Beans, dry
Soybeans and soy products
Cottonseed
Sunflowerseed
Wine[1]

[1]Despite the fact that very little U.S. wine has entered Mexico in the past, the Mexican government recently increased the global import quota for wine. There now appears to be a market opportunity for wine provided import permits are obtainable.

U.S., Mexico To Meet Regularly On Trade Issues

By Mary E. Revelt

Take two countries with vastly different trading philosophies, multiply their mutual trade as much as has happened with the United States and Mexico, and trade problems are bound to arise.

However, U.S. and Mexican policymakers are hopeful they can head some problems off, and resolve others, through regular meetings of a newly created U.S.-Mexico Joint Commission on Commerce and Trade.

The commission is one tangible result of President Reagan and Mexican President Jose Lopez Portillo's meeting in Camp David last June. During their discussions, both presidents, recognizing that trade relations between the United States and Mexico deserve attention at the highest level, agreed to establish a joint commission on commerce and trade.

The stated purpose of the commission is to provide a workable forum through which U.S.-Mexican trade issues may be discussed and mutually resolved in all areas as they occur.

The commission is co-chaired by the Mexican Secretary of Commerce, who presides over the Mexican delegation, and by the U.S. Secretary of Commerce and the U.S. Trade Representative, who jointly preside over the U.S. delegation. Such high-level participation is considered to be the key in assuring an effective and productive group.

In order to resolve U.S.-Mexican trade problems, the commission can enter into understandings or undertakings, make proposals to the appropriate authorities of the respective governments, or adopt other actions authorized by the respective governments as necessary.

The author is an agricultural economist, International Trade Division, Foreign Agricultural Service.

U.S. agricultural interests are encouraged by the creation of the new commission. While U.S.-Mexican agricultural trade generates important export revenue in both countries, there have been occasional trade problems.

In addition to relatively high import tariffs, nearly all of Mexico's agricultural imports require licenses. Typically, these licenses are not issued if products compete with those produced locally and domestic supplies are deemed sufficient. Foodstuffs considered luxury items (which include many canned or processed goods) are also frequently refused the necessary licenses.

The successful penetration of Mexican agricultural products into U.S. markets has also caused problems. Since Mexico has essentially the same climate as the southern United States, lower production costs (especially lower labor costs) have given Mexican producers a competitive advantage in the production of many commodities exported to the United States in the past.

Problems have arisen over a wide range of commodities, but the most intransigent have involved Mexican exports of winter vegetables, especially tomatoes, cucumbers, eggplant, squash and green peppers. The latest disagreemeent between Florida growers of these items and Mexico has yet to be resolved in the courts.

Mexico has not signed the Subsidies/Countervailing Duty Code which was negotiated in the 1979 Tokyo Round of Multilateral Trade Negotiations. As such, Mexico does not benefit from the test of material injury provision of the U.S. countervailing duty law.

While Mexico remains concerned over their lack of injury test, U.S. farm interests fear that the U.S. government might exempt Mexico from the no-injury provision of the U.S. countervailing duty law. This could have serious repercussions on the U.S. horticultural industry.

The lack of a prior notification and consultation mechanism for handling new or modified Mexican trade measures also continues to concern U.S. exporters.

The need for such a mechanism was underscored in 1980 when trade in pork and pork products and hides and skins was temporarily suspended by Mexico without official notification to the United States of the action or how it would be implemented.

It is hoped that the new commission will provide a framework through which such problems may be formally or informally resolved.

During its inaugural meetings in September, the commission considered several items of interest to U.S. agriculture. These included:

- *Greater access for U.S. agricultural commodities*:

The United States noted three problems areas—high-quality beef, deciduous fruit, and tree nuts—where long-standing import restrictions did not seem economically justified and where liberalization would benefit both Mexican consumers and producers of similar commodities. Further discussion of these product areas is slated for the next commission meeting.

- *Notification/consultation:* Both sides agreed that the commission meetings will provide a regular forum for discussing access problems.

- *Transportation:* Mexico has agreed to the establishment of a technical working group to discuss transportation issues of mutual interest, particularly border trade transfers.

- *Subsidies/countervailing duties:* both sides agreed to continue discussing ways to rationalize Mexico's development programs with U.S. subsidy/countervailing duty laws.

While no problems were resolved at the September commission meeting, it did establish new lines of communication between trade policy officials in the two countries. Both the United States and Mexico remain optimistic that future meetings will strengthen the trading relationship between both countries and lead to resolution of mutual trade problems. ■

Selling in Mexico II: Grains, Oilseeds, and Livestock

Exports of grains, oilseeds, and their products account for a large share of U.S. agricultural sales to Mexico. In addition, the two-way flow in livestock and products is quite substantial. It is important for buyers and sellers on both sides of the border to fully understand the trade techniques in order to best utilize their sales opportunities.

In the past, CONASUPO—the governmental buying agency for basic commodities—acted as the sole importer of grains, oilseeds, and products.

Early in the present administration, however, the Mexican government began to liberalize agricultural imports. On March 26, 1979, the government issued a tender for the purchase of 110,000 tons of grain sorghum. This was the first time since late 1976 that Mexico had tendered for the purchase of grains. More importantly, this sorghum was purchased directly for the account of the mixed feed industry, rather than by CONASUPO.

Agreements between the newly created Undersecretariat for Regulation and Supply (Subsecretaria de Regulacion y Abasto) of the Ministry of Commerce and the private mixed-feed, wheat-milling, and oilseed-processing industries were reached in early March 1980. These agreements paved the way for direct import purchases by the private sector. They state that, based on conditions prevailing in the international market, government-to-government transactions, public tenders, and direct negotiations with foreign private suppliers will be made, in that order of preference, for all private future imports of grains and oilseeds.

Mixed committees have been established by the Ministry of Commerce to purchase and import all basic agricultural commodities. These committees consist of one representative of the Secretariat of Commerce, one from CONASUPO, and one from the appropriate private trade association. The committees provide the framework for the formulation of all import decisions and purchases in the name of and for the account of the private industrial sector.

CONASUPO will continue to import certain quantities of oilseeds and grains to supply firms operating under public management and very small

private processors. Even though all purchases are now made on a tender basis, the Mexican government maintains that this system is not the first preference and that whenever possible imports will be secured on a government-to-government basis or by direct negotiations with foreign private suppliers.

In early 1980, a major share of Mexico's tender purchasing activity for grains, oilseeds, and products shifted form Mexico City to Washington, D.C. The U.S. Department of Agriculture assists in the dissemination of tender terms to the U.S. grain and oilseed trade. All interested parties should submit their bid offers directly to the Mexican Embassy in Washington, D.C., for tenders that are opened in Mexico. Bids can only be submitted by U.S. suppliers or their representatives—who are legally registered and sanctioned by the Mexican government.

U.S. grain and oilseed suppliers, particularly those not represented in Mexico, are encouraged to participate in Mexican government tenders opened in Washington. The U.S. Department of Agriculture, in cooperation with the Government of Mexico, assists by notifying the U.S. trade of such opportunities.

Tender terms—including notification of product grade and quality, delivery period, mode of transportation, quantity desired, and seller obligation—are spelled out in the invitation to bid and can be obtained from the Mexican Embassy in Washington or through USDA's General Sales Manager in Washington, D.C.

Tender purchases of all basic commodities by CONASUPO and by the mixed committees are also carried out in Mexico City. Only firms registered with and authorized by the Mexican government are eligible to participate in such purchases. U.S. suppliers usually employ an experienced Mexican agent to represent them in such cases.

Under special circumstances, the Mexican government may negotiate directly with U.S. suppliers or grant a commission to a private company to import directly. In these situations, the embassy can serve as a source of information for the importer.

Therefore, U.S. companies interested in exporting grains and oilseeds to Mexico may write to the Office of the U.S. Counselor for Agricultural Affairs at the U.S. Embassy in Mexico City, indicating which commodities they wish to export to Mexico. This information would then be provided to the Government of Mexico and private individuals upon request.

Selling Livestock

Buyer-seller contact. Livestock may be imported into Mexico by either private buyers or by government agencies. Well-established private importers, including producers themselves, often travel to the United States to select and purchase livestock directly. These people normally have purchased cattle in the United States before and have developed an on-going business relationship with American cattlemen.

Mexicans interested in buying and Americans interested in selling livestock who have not established such a relationship can be brought together in several ways. One is for the U.S. supplier to advertise the animals in the USDA "Contacts" circular; another is to work through one of the many private livestock export firms in the United States and let them make the contact and the sale.

In addition, the office of the U.S. agricultural counselor in Mexico will provide a list of Mexican producers, importers, government agencies, and others involved in livestock trade.

Mexican cattlemen who wish to establish contacts in the United States also have several options:

- They can enlist the services of Mexican importers who have already established links with suppliers in the United States.
- They can request assistance from their domestic breed associations, which often also have well established relationships in the United States.
- Or they can utilize the services of the agricultural counselor's office to supply either lists of U.S. suppliers or to advertise their request through USDA's Trade Opportunity Referral System (TORS).

Legal requirements. Whether the importer travels to the United States to conclude transactions or makes the arrangements long-distance, animals cannot by physically shipped into Mexico until all the pertinent import requirements are met and the importer has been issued a valid import license. The fulfillment of these requirements is the responsibility of the Mexican importer or his designated representative.

The exporter must meet U.S. government health regulations to allow shipment of animals within the United States and overseas. Exporters should contact USDA veterinarians in their areas for more details on this requirement.

To avoid problems and delays at the border, it is recommended that the negotiated sales contract provide for payment by one of the following means prior to the shipments of the animals: (1) an "order of payment" (a direct transfer of money by wire), (2) a bank draft on a U.S. bank delivered to the seller prior to shipment, or (3) an irrevocable confirmed letter of credit. Although less desirable, payment at the border may be requested when purchases are made by a government agency, such as the Banco Nacional de Credito Rural.

In all cases, the seller should ensure that what is to be delivered meets the terms and specifications laid down in the purchase order, and—if the purchaser travels to the United States to select the stock—that those selected are the ones shipped. ■

Canada's Livestock Industry Approaching 1982 With Caution

Canadian livestock producers are entering 1982 in a conservative mood, after finishing up another year during which they were hard pressed to cover production costs. High input expenses, including interest rates, were the main culprits of the past year, and their combined influence has probably slowed the rebuilding of herds.

Cattle and beef

In the first half of the year, beef sales were buffeted by extra strong competition from pork, but consumer resistance to high pork prices seems to have jelled. As a result, beef producers expect sales to climb somewhat. Even more important, though, is the expected rate and cost of slaughter cattle imports from the United States. During the January-August period, Canada imported some 31,000 head of U.S. cattle—including 28,000 head for nonbreeding purposes.

Canadian slaughter of fed beef cattle is rising this year and should expand again in 1982, indicating increased age of calves in the 1980 and 1981 crops and the availability of more heifers for feeding. Also, the volume of feeder calf exports to the United States in late 1981 will have a strong impact on the level of calf feeding during the winter months.

The record Canadian barley crop will probably provide adequate feed supplies for cattle feed operations in the west. However, there is little chance for an increase in the overall feeding of grain because of expected large exports of barley.

Total beef and veal consumption in Canada will probably fall to 41.2 kilograms per capita in 1981—about the same level as in 1971. This marks the fourth consecutive year in which per capita beef consumption has declined. Despite lowered consumption, beef and veal output is expected to rise about 5 percent this year. The actual increase will depend on the flow of imported slaughter cattle from the United States.

Hogs and pork

Over the past 18 months, Canadian pork producers were on a gradual down slope of the production cycle, but they still made no significant reductions in output. Although the weighted average price for dressed hogs for 1980 was well below the previous 5-year average, production remained slightly above the 1979 level.

The producers avoided output cuts because of a favorable combination of events:

- The favorable exchange rate of the Canadian dollar vis-a-vis the U.S. dollar enabled producers to ship pork to the United States at profitable prices.
- Despite pork's high price and the strong beef demand, per capita pork consumption hit an all-time high; and
- Federal and provincial stabilization programs enabled producers to maintain high production levels somewhat insulated from market realities.

Early in 1981, a slight drop was seen in the number of farrowings and by mid-July, prices had strengthened—mainly because of a decline in U.S. pork production.

More recently, Canadian pork prices have been buoyed by price advances for pork in the United States, the persisting favorable exchange rate with the U.S. dollar, and the continuation of a strong export uptrend. But on the other hand, mid-year reports that farmers planned to increase farrowings by about 3 percent tended to weaken prices somewhat.

Despite these conflicting signals, it is probable that Canadian pork productin for all of 1981 will be only slightly below the 1980 level of 876,000 metric tons. Next year's production will probably slip again. Pork and beef will continue to compete for larger shares of the red meat market, but there are no indications that pork output will decline substantially.

Poultry

Production of all types of Canadian poultry, except fowl, is expected to be lower this year, following quota cutbacks by Canadian poultry marketing boards.

The reduced quotas stemmed from relatively higher poultry carryover stocks at the beginning of the year when poultry meat was priced higher than pork. Both production and use of poultry meat should start rebounding by late 1981 and early 1982 as higher prices for red meats, particularly pork, strengthen demand for poultry.— *Based on a report by Gary C. Groves, Assistant U.S. Agricultural Attache, Ottawa.* ■

Fact File

U.S.-Canadian Trade: Common Goals Form Trading Ties

The United States and Canada share more than just a 3,000-mile border, language, customs, and a democratic system. They are not only each other's largest trading partner, but they also share a common set of agricultural goals. These ties bind them, for the most part, in a cooperative, complementary trading relationship that is held up as exemplary in the way to work together, yet respect each nation's individuality and needs.

Important Trading Partners

In overall trade, the United States and Canada are each other's largest customer. Total U.S. exports to Canada in 1980 were valued at $41.4 billion—accounting for roughly 20 percent of total U.S. shipments—while Canadian exports to the United States were valued at $42.4 billion, roughly 68 percent of the total.

The United States and Canada also have a major stake in each other in terms of agricultural trade. U.S. agricultural exports to Canada in 1980 were valued at nearly $1.9 billion, making it the fifth largest export market and providing more than 57 percent of Canada's imports of agricultural items. Canadian agricultural exports to the United States during the same period were slightly more than $1.1 billion.

Canada is the largest single market for U.S. horticultural products, accounting for nearly 37 percent of total agricultural shipments in 1980. Major U.S. farm imports from Canada during the same period were live cattle, pork, and feed grains. Agricultural trade between the two countries is, for the most part, complementary. A competitive relationship exists primarily in wheat trade.

Common Goals

The United States and Canada share a common set of agricultural goals. These goals include adequate food supplies, rising farm incomes, stable prices, and stable and equitably distributed farm incomes. Both the United States and Canada recognize the importance of agriculture to their own national economies, as well as to that of the world. Both countries—substantial net exporters of agricultural products—also recognize the dynamic role farm exports play in an economy.

The structure of Canadian and U.S. agriculture shares many of the same problems: a decrease in farm populations and numbers, an increase in farm size at the expense of small family farms, and a loss of farmland to urbanization.

The Canadian System: Marketing Boards

In contrast to their similarity in goals, the United States and Canada differ substantially in their approach to agricultural policy and marketing. In the United States, pricing policies are determined mostly by market forces. The prices U.S. farmers receive are not pooled, and can rise above or fall to established support prices. The government generally stays out of the pricing, production, and sale of agricultural commodities.

In Canada, on the other hand, the government's involvement in agricultural policy is much more extensive. Canada's marketing system, while working within an open market framework, operates in terms of a board and nonboard system. Roughly one-half of Canada's agricultural sales are made through 105 marketing agencies, which can be responsible for producer pricing, production and/or marketing quotas, licensing, designating sales agents, and interprovincial and export trade. All but five of the boards are provincial. The five Federal boards regulate wheat, barley and oats grown in the Prairie Provinces; dairy products; eggs; turkey; and chicken on a national basis. These boards function as state monopolies, controlling the production and marketing of major farm commodities.

The Canadian Government also is involved in transportation, establishment of storage facilities, irrigation, and research and extension programs.

Market Development

While united in recognizing the value of agricultural exports, the two countries differ in the amount of government involvement in international trade. The U.S. approach places the primary responsibility for trade and market development with private exporters. The U.S. Government may point out trade opportunities where they exist, but taking advantage of them is left up to private firms and commodity associations.

In Canada, however, the Wheat Board, for example, controls imports and exports of all wheat. In addition, Agriculture Minister Eugene Whelan recently announced the Canadian cabinet had approved the creation of a Federal agricultural export corporation—Canagrex—designed to increase the volume and variety of overseas sales of Canadian farm products. Canagrex will provide export financing to potential exporters, engage in direct selling or contracts with export firms and agencies, and export marketing, promotion, and related activities.

Trade Issues. The U.S.-Canadian trading relationship in agriculture is generally untroubled and cooperative. Because of the extent of trade between the two countries, Canadian economic conditions are highly influenced by those in the United States. As a result, Canada has suffered many of the same economic woes of the United States—high inflation, interest rates, and unemployment. Since 1976, there has been a substantial decline in the value of the Canadian dollar, relative to the U.S. dollar. Consequently, the lowered Canadian dollar has made some Canadian farm commodities, particularly certain produce and meat, more competitive in the United States, leading to concern from U.S. producers.

A brief examination of U.S.-Canadian trade issues of recent interest:

- **Multilateral Trade Negotiations (MTNs).** The major goal in the MTNs was to harmonize duties for products that move both ways across the border. The 1976 trade value of U.S. offers amounted to $350 million; Canadian offers, $600 million. More than one-half the trade coverage was in the livestock sector.

- **Meat Import Regulation.** The Canadian Parliament is expected to pass a Meat Import Law soon, mirroring the U.S. Meat Import Law of 1979 and providing a countercyclical adjustment formula to restrain meat imports when domestic supplies are large and prices low.

- **Grain Talks.** Though competitors for world grain markets, the United States and Canada have mutual interest in stable, secure grain trade that assures farmers a fair return. To that end, the two countries—along with Australia and Argentina—began a biannual series of grain policy meetings in June 1979 to ensure coordination in wheat production and marketing decisions.

- **Potato Trade.** The lower value of the Canadian dollar, relative to U.S. currency, is one of several factors that have made some Canadian horticultural products, particularly potatoes, more competitive in the United States. Historically, the balance of potato trade was in favor of the United States; however, 1980 brought a reversal to that trend. U.S. producers, particularly in Maine, have expressed concern over this issue, which both countries currently are studying.

New Zealand's Preference for Lamb Slows Gains in Wheat

By William Hadfield

Despite New Zealand's desire to meet its wheat needs from domestic production, the country's farmers seem to prefer to raise lamb and produce wool instead of wheat. This seems to be true not only when profits from lamb production are moderately higher than for wheat, but also when profitability from wheat and lamb are about equal, and sometimes even when wheat profits are slightly higher.

The relationship between the size of New Zealand's wheat area and sheep meat and wool profitability was noted as far back as 1933 by Dr. I.W. Weston, a lecturer in farm economics at Canterbury Agricultural College (now called Lincoln College). Dr. Weston noted that his study of the relationship between fat lamb prices and wheat area indicated that as profits from lamb production went up, wheat area fell off.

It seems there is a similar inverse relationship at the present time and that the relative profitability of lamb meat, compared with that of wheat, is the single most important factor influencing the size of area sown to wheat. Two other important factors are weather conditions prior to and at sowing time and the competition offered by other grains, particularly barley.

The author is an agricultural specialist in the Office of the U.S. Agricultural Attache, Wellington.

Using 1966 as the kickoff point, the producer price for wheat remained static through 1971. But lamb and wool prices were at relatively low levels during the period and probably accounted for the sizable increase in wheat area in 1968 and 1969.

From 1971 to 1975, the margin of profitability favored wool and prime lamb, resulting in a downturn in wheat area, particularly in 1974 and 1975. In the latter year, sheep profitability fell off markedly and coincided with a substantial rise in returns from wheat—and a consequent noticeable increase in wheat area in 1976. This apparently refutes Dr. Weston's theory, but, in fact, the theory becomes fully operative and readily apparent after 1976.

Although profitability in 1977 still favored wheat, the gap narrowed in sheep's favor. This undoubtedly accounted for the continued drop in wheat area from 1977 through 1978. In the latter year, the profitability gap again widened in favor of wheat.

This did not, however, result in any sizable increase in wheat area the following year, as might be expected. There was, in fact, a further slight decline in wheat area, attributable in part to unfavorable weather conditions that extended from sowing to harvesting, but also in part to farmer preference in favor of sheep production.

In the postwar period through 1966, New Zealand's wheat production lagged well behing the levels required for self-sufficiency. At that time, consumption requirements were about 400,000 metric tons a year, of which 300,000 tons were for milling and 100,000 tons for stock feed. The shortfall was met by imports of Australian wheat, with more than half of New Zealand's wheat needs coming from overseas.

During this postwar period, wool and sheep meat prices were at relatively high levels, which, undoubtedly, had an adverse effect on the area sown to wheat. In 1966, and for six of the following seven years, wheat production rose and the need for imported wheat fell off in most years. Nevertheless, since 1966 New Zealand attained wheat self-sufficiency only three times—in 1970, 1973 and 1978. This year, New Zealand probably need will not need to import wheat.

Wheat is grown in New Zealand in rotation with barley, oats, peas, herbage seeds, and potatoes. In practically all cases, crops are rotated with shortterrm pastures used in the rearing of prime lambs for the export market. The extent to which cereals and other cash crops are included in rotations depends largely on the level of soil fertility, provided, of course, that financial returns are competitive.

In 1968, a Grains and Seeds Working Party concluded that from a crop area of 907,000 hectares in Canterbury County, farmers could use approximately 23 percent for rotation of cereals and other cash crops, yet still maintain a good relationship between the amount of farmland kept for crops and for the raising of sheep and the growing of feed crops.

Applying the Canterbury figure—which is probably conservative—to the national scene, the equivalent figure would probably be 17 percent for crops, with the remainder for sheep and feed production. ■

Country Briefs

Austria

U.S. Is Important Market For Austrian Cheese

Still plagued by an overabudance of milk, Austria exports more than half of its cheese production. About one-fifth of the country's 1980 cheese exports wound up in the United States.

Each year, about 2.2 million metric tons of milk are delivered to Austrian dairy plants, a quantity 20 percent above domestic requirements. This surplus is converted into dairy products—mainly cheese—for the export market.

Austria's total cheese production rose 4 percent in 1980 from the year-earlier level, to about 74,000 tons. Austrian milk and dairy product production in 1981 and 1982 is expected to show comparatively little change from 1980's outturn.

Last year, Austria exported 41,000 tons of cheese. Some of these exports may have been subsidized to make them competitive on world markets. The Austrians do not subsidize cheese exports to the United States because such payments could result in the imposition of countervailing duties.

Austria's milk is produced by a relatively low number of dairy operators; most of the herds are rather small. Farmers in the country's fertile croplands are abandoning dairying as too labor-intensive and unprofitable. The main source of raw milk continues to be the mountain regions, where cattle raising is an important source of income.—*Based on a report by Nicholas M. Thuroczy, U.S. Agricultural Counselor, Vienna.*

India

Tobacco Sales to USSR Reach Record Volume

Indian tobacco exports to the Soviet Union hit a record high this year as the country's tobacco production and exports were expected to be slightly higher than in 1980.

A strong rise in the outturn of flue-cured Virginia tobacco (FCV) resulted in a total 1981 crop slightly greater than last year's, providing adequate supplies to fill two leaf orders from the Soviet Union for about 35,000 metric tons. Together these orders constitute the largest purchase of Indian tobacco placed by any country in a single year since 1977, when the United Kingdom took 41,757 tons.

India's exports of unmanufactured tobacco to all destinations in 1981 are expected to be around 80,000 tons. Exports of tobacco products also are expected to be slightly higher because of the likelihood of increased cigarette sales to the Soviet Union.

India's first 1981 order from the Soviet Union was for 31,500 tons, a volume representing a rise of about 3,000 tons over shipments the previous year. The second order was expected to be for 3,000 tons or more. Besides the USSR, the United Kingdom, China, Japan, Italy, and Czechoslovakia are important markets for India's tobacco.

India is an important factor in the world's tobacco trade; on a volume basis it was the fifth largest exporter in 1980. Its share of the 1.4 million tons of unmanufactured tobacco involved in world trade was 5.3 percent. In 1980, India's exports of unmanufactured tobacco totaled 73,200 tons and exceeded those of 1979 in both volume and value. The Soviet Union was the most important export customer.

According to provisional government data, India's exports of unmanufactured tobacco during 1980 were valued at the equivalent of about $151 million. These exports rose 10.8 percent in quantity and 17.8 percent in value compared with exports in the previous year.

This year's slightly larger tobacco crop includes FCV production of nearly 115,000 tons, a 12 percent gain from last year. This year's tobacco crop is also grading better than last year's outturn.

Indian production of all types of tobacco in 1980 reportedly totaled 446,900 tons (farm-sale-weight basis)—down 1.5 percent from the previous year. The decline occurred despite an increase in area. A smaller FCV crop accounted entirely for the setback. Cigar and cheroot tobacco production also slipped slightly between 1979 and 1980, but output of all other types of tobacco was up.

Indian government and trade sources expect that—given normal weather conditions—tobacco production will increase again during 1982. The gain is expected because the highly remunerative prices received by tobacco growers this year will encourage increased planting for the 1981/82 crop.—*Based on a report by W. Garth Thorburn, U.S. Agricultural Counselor, New Delhi.*

Ireland

Opportunities for U.S. Foods In Ireland Remain Bright

Although the U.S. share of Ireland's food import market slipped last year, actual exports of U.S. food products have doubled in the past two years—reaching nearly $6 million in 1980. Opportunities for enlarging these sales in the future are excellent because of Ireland's strong economic performance and consumer demand for a more diversified diet.

The major U.S. food items shiped to Ireland included prepared dried fish, vegetables, and raisins. U.S. food exports to Ireland totaled $5.7 million in 1980.

Future sales of U.S. food products to Ireland are expected to benefit from Ireland's rapid population growth and reasonably sound economic prognosis. The population increased by 1.2 percent last year, and the growth of the gross national product amounted to 1.5 percent—the strongest in the European Community. Consumers are demanding more widely varied diets as sales of health foods, snacks, and the more exotic fruits and vegetables have risen in recent years. The health food market alone is showing an annual growth rate of 15 percent a year. The import market for health foods is estimated at about $2.2 million annually.

Ireland's food imports from all sources totaled more than $900 million in 1980, representing about 40 percent of the country's food requirements. If the early-year momentum is maintained, food imports this year may top the $1-billion mark, almost double the 1977 figure. While inflation accounted for a large share of the increase, Ireland imported significantly larger volumes of milling wheat, cereals, flour, fresh potatoes, frozen vegetables, apples, and pears.

The other nine countries of the European Community collectively are Ireland's major food supplier, providing nearly two-thirds of all food imports, compared with 60 percent in 1979. Other important suppliers were South Africa, Israel, and Spain for fruits and vegetables, India for tea, and Canada for wheat, pulses, and fish. Canada again was the largest non-EC country supplying food to Ireland, mainly because of its large shipments of hard milling wheat.—*Based on a report by Margaret A. Mason, U.S. Agricultural Attache, Dublin.*

Decade of Change Lifts U.S. Mink Exports

By Nick Havas and Sue Murphy

Americans may not "think mink" the way they did in the 1950's, but Europeans certainly do. And the European predilection for expensive furs kept U.S. mink producers busy ringing up export sales throughout the 1970's. In 1970, American exports of mink pelts were only $23.7 million; by 1979 they had jumped to $128.2 million.

With increasing regularity, mink from the United States is cropping up everywehere from Parisian fashion shows to window displays on Rome's Via Veneto. Slick advertising in Europe's fashion journals, better auction publicity, and the use of sophisticated designers has helped make the U.S. mink industry a big winner in the world's luxury clothing markets.

Nick Havas, marketing specialist, and Sue Murphy, program specialist, are with the Dairy, Livestock, and Poultry Division, FAS.

In the last decade or so, the character of America's mink industry has changed drastically. For example, there were 2,800 mink ranches back in 1969 producing 5.7 million pelts, but 10 years later 1,100 ranches were in operation producing 3.4 million pelts.

Pelt production per ranch also changed markedly, growing 50 percent during the 1970-77 period from 2,050 to 3,100, a sign off a trend toward larger operating units that should continue into the 1980's.

Marketing by the mink industry has also undergone tremendous changes. Faced with a serious decline in domestic demand for mink in the 1960's, U.S. producers turned aggressively to markets abroad in the 1970's.

Before the 1970's, exports of mink pelts accounted for only 30 percent of production. But by 1979 foreign importers were buying almost all the U.S. production—about 97 percent. From 1970 to 1979 there was almost an 80 percent increase in pelt exports—from 1.8 million to over 3.2 million while the value of these exported pelts increased more than 200 percent from $13 a pelt in 1970 to $39 in 1979.

American mink is now exported to more than 40 countries. But just 10 countries import over a million dollars' worth each and accounted for more than 90 percent of U.S. exports in 1979. Members of this elite group and their 1979 imports in millions of dollars were: Switzerland ($21.1) the United Kingdom ($20.2) Canada ($18.0) Hong Kong ($13.6) West Germany ($13.4) Italy ($13.1) Greece ($10.9) Japan ($8.1) France ($5.1) and Australia ($1.2). Other promising markets that could join the million-dollar club in the next few years are Spain, Argentina, Korea, South Africa, Israel, Denmark and Belgium.

All major importers purchased both raw and dressed pelts. Greece, Hong Kong, and Japan, however, consistently bought primarily dressed pelts, while the other major importers favored raw pelts.

The United Kingdom was the most consistent buyer of raw pelts, which accounted for 95 percent of its mink imports in 1970-79.

The tremendous success achieved by the U.S. mink industry in export markets stems from its commitment to market development. The Mink Breeders Association (EMBA) and USDA's Foreign Agricultural Service began their joint marketing effort overseas in 1970.

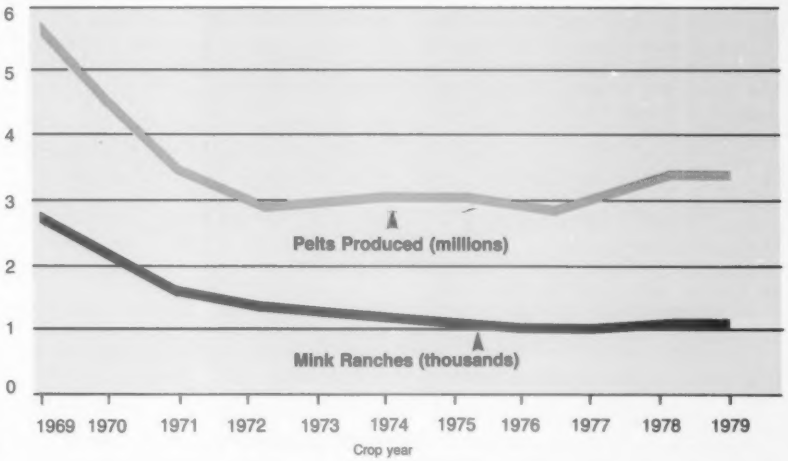
Most of this effort has focused on Western Europe, but since 1975 the scope had widened to include the Far East, principally Japan and Hong Kong.

Promotional expenditures have grown more than 50 percent since the mid-1970's and have paid off in measurable sales gains. U.S. mink producers now average a return of more than $100 in sales for each dollar they spend on promotion, compared to a $75 return 6 years ago. Over the last decade, expenditures for market promotion have averaged less than 1 percent of overseas sales.

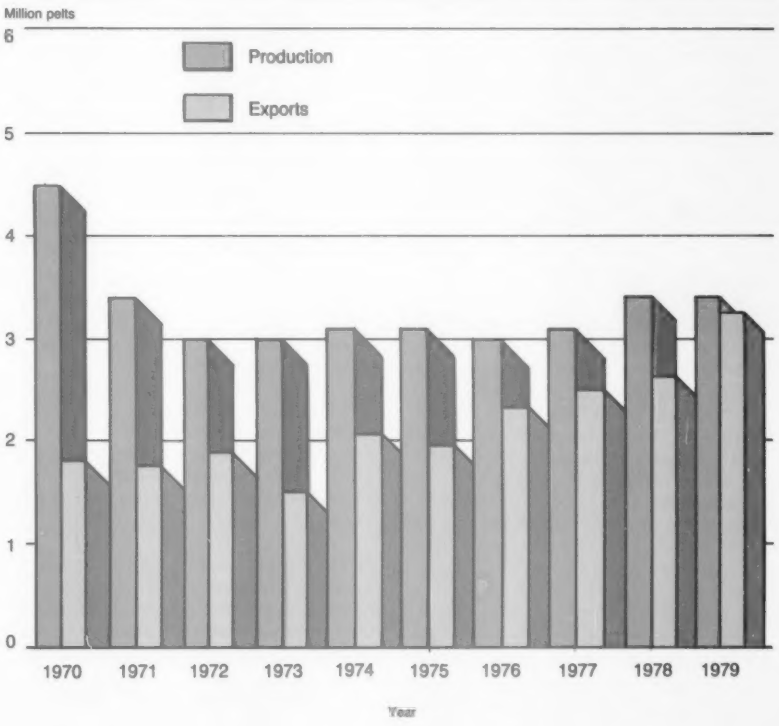
If exports of mink apparel and clothing containing mink are brought into the picture, the success of U.S. mink producers overseas becomes even more impressive. In 1978, this fast-growing segment of American mink exports accounted for over $19 million in foreign sales. By 1979, exports of mink apparel had climbed to nearly $35 million and in 1980 they grew again to over $42 million.

Boosting these clothing sales is a major part of the U.S. industry's marketing strategy, which calls for even stronger export promotion in the 1980's. ■

U.S. Mink Production and Ranches, 1969-1979



Production and Exports of U.S Mink Pelts, 1970-1979



Peru Turns to Palm Oil Production

By Richard L. Barnes

Spurred by government incentives and private investments, Peru's palm oil production has risen rapidly since 1976 and more production increases are possible by the end of this decade. But is still unclear whether this expanding output can keep up with future demand.

Peru did not focus seriously on palm oil production until the mid-1970's. Back in the late 1960's and early 1970's, the country had no problem meeting its domestic demand for edible oils. In fact, using its ample supplies of fish oil, Peru had played a significant export role.

Until then, the abundance of anchovies in Peru's coastal waters gave the country a seemingly endless supply of fish oil. But the bounty halted abruptly on Christmas eve of 1971 as the warm "Nino" current swept down the Peruvian coast and killed off much of the plankton that anchovies need to survive.

In just one year, Peru's anchovy catch plummeted 57 percent from 10.3 million metric tons in 1971 to 4.4 million in 1972. Fish oil production followed suit. The anchovy catch continued to slide and last year Peru had to import 54,000 tons of fish oil to meet its domestic demand for edible oils.

Confronted with the need for more edible oils, Peru has turned to palm oil production. The African palm is particularly suitable because Peru has limited productive land along the coast, but vast untapped jungle resources in the interior. The idea of exploiting the jungle is also appealing to the country's planners. Establishing a new industry in relatively unpopulated areas creates jobs outside of the densely populated coastal cities.

Mr. Barnes was U.S. Agricutural Counselor, Lima, and is now Deputy Administrator for Management, FAS.

In December 1972, a state-held enterprise—Enterprise for the Development and Exploitation of Oil Palm (EMDEPALMA)—was formed to promote the production of palm oil. This organization took over management of Peru's first palm tree plantings in Tocache.

By 1976, a small extraction plant built with Dutch technical and financial assistance was in place. Since that year, palm oil output has grown from 650 to 5,240 tons a year, with some 3,125 hectares of palm trees already in production.

The expansion has been so rapid that some of the current crop is being lost because of delays in enlarging crushing capacity. If planting and processing goals are met, oil output could reach 20,000 tons of crude palm oil and 4,000 tons of palm kernel oil by 1986. This would translate into annual foreign exchange savings of roughly $16 million at current prices.

Private investment is also playing a role in expanding palm oil production. During the early 1970's, private investment in the palm sector was severely limited by a government policy directed at breaking up large landholdings. But the Peruvian government has since relaxed restrictions to encourage large projects in the jungle area.

Attracted by the favorable outlook for palm oil production and by tax and other financial incentives offered by the government, private companies have established plans to develop their own operations.

If these plans materialize, and oil yields reach the projected 4,000 kilograms per hectare, Peru's palm oil production will likely amount to 40,000-45,000 tons by the end of the decade.

While the overall prospects for palm oil are fairly good, the Peruvians still have to overcome a number of obstacles to meet production goals.

First, there is the need to build access roads and other facilities for sustaining a labor force in jungle areas. And there is also the potential problem of encouraging qualified people to move to the more remote production zones.

Second, palm oil production involves years of delay between the initial planning and capital outlay and the first realization of profits. Consequently, Peru will have to rely to a large degree on international development assistance for the needed investments. Peru's financial situation is delicate and foreign investors have expressed little eagerness to provide capital because of the long delay in receiving returns.

Third, managers of existing plants have not been enthusiastic about processing crude palm oil because of the different technology required. This, however, is generally viewed as a secondary problem.

And finally, there is the question of ecology. Those who are dedicated to leaving the jungle's ecological balance undisturbed will have to be satisfied that no damage will be done.

On the brighter side, the Peruvian government remains strongly dedicated to developing agriculture, as evidenced by the new Agricultural Promotion Law of December 1980. This law recognizes the importance of developing the jungle and establishes a more favorable framework for foreign investment in that area. There is little question that Peru will, in time, become an increasingly important palm oil producer. The Tocache area alone could eventually contribute 80,000 tons of oil annually if all suitable areas are exploited.

Whether production will meet domestic demand is another matter. As the country's population continues to expand rapidly and purchasing power rises, domestic needs for vegetable oil will also grow. ■

Trade Briefs

Europe To Hold Its First Outlook Conference

The U.S. Department of Agriculture's 58th annual Agricultural Outlook Conference, held this month in Washington, D.C., will be followed in February 1982 by Europe's first Outlook Conference. The European conference, to be held in London on February 4-5, 1982, will cover the outlook for all the major EC agricultural commodities as well as the political and financial outlook and the Common Agricultural Policy and food prices.

Argentina, Algeria Sign 5-Year Trade Pact

Argentina and Algeria have recently concluded a five-year trade agreement. Terms of the pact call for Argentina to provide, on an annual basis, the following commodities: 50,000-100,000 metric tons of Durum wheat; 100,000-200,000 tons of bread wheat; 30,000-60,000 tons of corn; and 5,000-10,000 tons of white beans. In recent years, Algeria has relied on the United States, Canada, and the European Community for most of its grain supplies. U.S. grain exports to Algeria during the just-ended 1980/81 marketing year (July-June) included 427,000 tons of wheat and 222,000 tons of corn.

Colombia Increasing Imports Of U.S. Purebred Cattle

Colombia's imports of purebred cattle this year are estimated at 1,680 head, up from 1,195 head in 1980. Cost of this year's imports are estimated at US$4.4 million. More than half of Colombia's 1981 purebred cattle imports are expected to be Brahman, of which 700 would come from Brazil and 230 from the United States. In addition, the United States is expected to supply 350 head of Brown Swiss and 240 Holsteins for a total of 820 purebreds. Last year, Colombia imported 803 purebreds from the United States, including 539 Brahmans, 157 Brown Swiss, 22 Holsteins, and 85 others.

U.S. Farm Exports To Nigeria Rising Sharply This Year

Reflecting a growing Nigerian demand for food and feedgrains, the value of U.S. agricultural exports to that country reached $302 million during January-July of this year, up 40 percent from the year-earlier level. Mainly responsible for this increase were rice exports (up 103 percent to $128 million) and exports of wheat and wheat flour and corn, which registered increases of 16 and 107 percent, respectively. Inedible tallow and poultry meats, the other major U.S. export products, declined significantly in value, partly because of difficulties in obtaining import licenses. U.S. exports of most other products remained small as a result of Nigerian import restrictions currently in force.

Taiwan Signs New 5-Year Grain Agreement With U.S.

Taiwanese grain importers and U.S. grain exporting companies signed four new five-year trade agreements in September, under which U.S. grain companies will export nearly 17.2 million tons of corn, soybeans, wheat, and barley. This is the third signing of a grain agreement. The previous two agreements were for the periods 1973-76 and 1976—June 1981. This time, four trade agreements were signed for each commodity for the convenience of importing and exporting companies, instead of one agreement covering all four commodities as in the previous agreements.

The new agreements call for the following deliveries for the next five years. The quantities shown are considered minimum targets and actual imports are expected to be substantially higher.

Delivery period	Corn	Soybeans	Wheat	Barley	Total
	1,000 metric tons				
From July 1981 to June 1982	1,550	900	550	100	3,100
From July 1982 to June 1983	1,650	950	550	200	3,350
From July 1983 to June 1984	1,700	950	570	200	3,420
From July 1984 to June 1985	1,800	1,000	590	200	3,590
From July 1985 to June 1986	1,900	1,000	590	200	3,690
Total	8,600	4,800	2,850	900	17,150

United States
Department of Agriculture
Washington, DC 20250

OFFICIAL BUSINESS

Penalty for private use, $300

Postage and Fees Paid
U.S. Department of
Agriculture
AGR 101
First Class

** FA SERIA300SBISSDUE002R 1 *
** SERIALS PROCESSING *
** XEROX UNIV MICROFILMS *
** 300 N ZEEB RD *
** ANN ARBOR MI 48106 *